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ABSTRACT

Limitations on governmental taxing and/or spending, exemplified by the "Proposition 13" initiative in California, have been instituted or proposed in a large number of states. As the movement spreads, state education agencies (SEAs) and, especially, chief state school officers have fundamental policy decisions to make. Areas where the tax/spending limitation movement most directly affects education are: (1) SEA posture (opposition/acquiescence), (2) relationships with other agencies and organizations, (3) changes in governance patterns, (4) changes in SEA functions and operations, (5) institution of economy measures, and (6) increase of productivity. Drawing on the experience and insight of state education leaders, this document presents an analysis of the policy dimensions of the tax/spending limitation movement, setting forth the policy problems in each of the areas listed above and reporting identified policy options for addressing these problems. (MLF)

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STATE EDUCATIONAL POLICY AND THE PROPOSITION 13 MOVEMENT

An Overview of Policy Issues

Prepared for Chief State School Officers
of the States of Alaska, Hawaii, Idaho
Oregon, Montana and Washington

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February 1979

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EXECUTIVE SUMMARY

Limitations on governmental taxing and/or spending, exemplifed by the widely publicized "Proposition 13" initiative in California, have been instituted or proposed in a large number of states. The tax/spending limitation movement, strong and widespread, is rooted in deep-seated taxpayer resistance to increasing tax burdens, disenchantment with many tax-supported programs, and distrust of bureaucratic government.

As the movement spreads, resulting reductions in tax revenue, or limitations on expenditures, seem likely for many state education systems. Caught in economic and political cross-currents, state education agencies--and especially Chief State School Officers--have fundamental policy decisions to make in several areas where the tax/spending limitation movement most directly affects education:

A. SEA Posture (opposition/acquiescence)

B. Relationships with Other Agencies and Organizations

C. Changes in Governance Patterns

D. Changes in SEA Functions and Operations

E. Institution of Economy Measures

F. Increase of Productivity

Drawing on the experience and insight of state education leaders, this document presents an analysis of the policy dimensions of the tax/spending limitation movement, setting forth the policy problems in each of the areas listed above, and reporting identified policy options for addressing these problems. Where possible, some analysis of the foreseeable consequences of a given policy choice is presented, but no judgments are made or offered regarding what state education policy ought to be.

FOREWORD

Purpose and Rationale

Chief State School Officers are directly involved in educational policy making, both as formulators of policy proposals for state board of education consideration and adoption, and as executive level decision makers. In both capacities, they have use for timely and accurate informtion about (a) the policy issues involved in a given educational problem and (b) the policy alternatives reasonably open to them. Clarification of issues and display of available options--not policy answers--therefore, is the fundamental purpose of this document.

As used here, "policy" means essentially direction--the way we intend to go. Policy, thus, is distinguished on the one hand from broad--and in other contexts, very valuable--statements of belief (e.g., "We believe every child is entitled to a full and accessible educational opportunity") and on the other from strictly procedural statements (e.g., "Every handicapped child will be provided with an Individualized Educational Plan").

A policy statement on the same subject, as distinguished from the broad, general statement of belief or the more specific statement of operational procedure, might look something like this: "In the event that resources are diminished as the result of the passage of Proposition 13, special education programs will be exempted from any reduction in funding."

This document, then, in addressing policy issues and policy alternatives, seeks not to direct, but to provide a better sense of direction which may be taken, and to illuminate insofar as possible the foreseeable consequences of the choices made by the educational decision makers involved.

Target Audiences

Chief State School Officers, the primary target audience, share their decision-making responsibility with others and use the professional expertise or the lay viewpoint of others both to establish policy and to implement it. While the Chief State School Officers are the primary audience for this document, this shared responsibility broadens the potential audiences beyond just the Chiefs. State boards of education, state education agency staff, and planners and decision makers in the executive and legislative branches of government may find these analyses useful as Chiefs initiate the exploration of policy alternatives with these various groups.

I. INTRODUCTION

Imposing limitations on taxing and public spending upon local subdivisions, such as school districts, or upon the state as a whole, is not an isolated phenomenon, nor is it a new one. Forty-six of the 50 states now have some sort of such limitation built into either their constitutional or statutory regulations. The widely publicized "taxpayer revolt," highlighted by the passage of Proposition 13 in California, is but one of similar movements to be found throughout the country.

It was estimated that in the summer and fall of 1978 perhaps 30 to 35 of the states were considering some form of tax or spending limitation, although ballot measures to effect this were proposed in only 17 of the states during the November general election. Twelve of the 17 states approved some sort of tax/spending limit; those limits were rejected in the other five states. Thus, while the "Proposition 13" syndrome is not an isolated California phenomenon, neither is it as inevitable as the original shocked reaction to the passage of Proposition 13 in California at first indicated.

The specific point of attack in the taxpayer revolt movement, whether reflective of individual or group concerns or the result of formal campaigns by structured organizations, is basically against "high taxes." Even though Americans are taxed much less heavily than are persons in most other developed countries--and the assertion that taxes are excessive may be, in purely global economic terms, something of a misconception--the perception that taxes are too high is so widespread as to be almost universal among United States taxpayers.

Along with high taxes, the movement attacks "bloated government." The typical billboard might say, as did one during the recent elections, "Let's put the brakes on the bureaucrats." It is rather widely assumed that the government which is so bloated is that in Washington, although the major growth in government related employment has actually been at the state and local levels.

Perhaps the attack is not on government per se--though many taxpayers just want "less government"--but on government that is perceived as unresponsive to the individual, one which provides few visible services. (Even though invisible services like the judicial system are there, little impact is felt by the taxpaying citizen.)

The forms which Proposition 13-type proposals may take are varied, but they are really not new; almost all of them have been in place in one way or another before. What is new is the sharpness and specificity with which they are applied. Some proposals would limit the sources of government income, through specifying tax rates or by limiting the amount that the rate of assessment of property could be increased. Some would try to reduce the volume of tax money available by setting limits on the amount of revenue that could be produced from one or more specified sources. Still a third approach would limit expenditures to a fixed dollar figure or to a percentage of personal income or by some other specified limiting factor.

Every state may expect to face some sort of Proposition 13 action, but not every state will get it in the same form or all at once. Rather, the taxpayer sentiment is a reflecton of a general climate, a public mood, the temper of the times. Perennial and highly personal economic

worries lead taxpayers to insist that they simply can't make it any more in a time of continuing and even worsening inflation unless their taxes are reduced.

And they mean most emphatically their own taxes, because they feel certain that some other taxpayers are getting off easy. (That is, my taxes don't seem so bad until I find out that my neighbor in the bigger house down the street pays less tax than I do.) Inequities of assessment on homes of about the same actual market value make a mockery of the "fairness" of the tax burden. The whole system lacks credibility because of its inconsistency.

Taxpayers are often especially upset by the realization that a good portion of the tax they pay is used to benefit other groups of people who are perceived as paying little or no tax. Therefore, any social program which is seen as a form of income redistribution financed by heavy personal income or property taxes is perceived as a dangerous threat, one to be thwarted simply by limiting the amount of money available for such programs.

The taxpayer revolt mood is abetted by the general recognition that there will inevitably be new expense priorities--oil and other forms of energy will continue to cost more; anti-pollution measures will increase the cost of everything; conservation will not come cheap.

This taxpayer desire to cut down on expenses has an inherent political attractiveness. It permits our society to avoid facing a tough issue like welfare reform or broadening of health coverage with the simple explanation that it is too expensive; the taxpayers won't stand for it. It permits society to cut down on the amount spent for those

less affluent without appearing to single out the defenseless poor as target for these cuts. At the same time, as cuts in state income mean cuts in state services, there is no particular political threat to be expected from the more affluent, since the services they might normally receive from public funds they can well afford to pay for themselves without any great economic strain.

The general mood of taxpayer revolt is buttressed by a new conservatism prevalent throughout our society. It takes the form of not only being <u>against</u> many of the general concepts of the Great Society, but being <u>for</u> individual enterprise and individual success. The growing vocationalism of college students, commented upon frequently by persons in higher education, is an expression of this mood. The liberal arts are fine, but you make a living by enrolling in business school or communication programs, or by preparing for one of the professions like law or medicine.

Capitalizing upon this generally conservative view, such groups as the National Taxpayers Union and the Tax Limitation Committee have launched popular and rather successful state level and national efforts to encourage limitations on government taxation and government spending.

In summary, the root causes, the genesis, the development of the "tax reform" movement can be seen as neither a new nor an isolated phenomenon, but as one which is growing in importance yet not necessarily inevitable. It is a reflection of the general taxpayer mood, abetted by current social and economic circumstances, supported by many diverse groups, providing specific points of attack, and suggesting various forms for imposing tax/spending limitations.

II. FORCES AND COUNTERFORCES

Theoretically, our system of government operates with two related sets of checks and balances, calculated to keep things on a fairly stable equilibrium. The federalist system of shared power and shared responsibility among federal, state, and local governments rests on the assumption that the shared power and the shared responsibility have a fair and equitable distribution. The three-way division of authority among the legislative, executive, and judicial branches at each of these levels of government is also supposed to provide for govermental stability.

In actual operation, however, SEAs report that the countervening forces often are not in balance. This is to be expected in the political arena. Thus, formulating comprehensive educational policy under such circumstances requires a fairly detailed knowledge of the political process involved. States report some of the crucial questions in the political arena as these:

1. Who are the actors on the scene? What agencies are involved; how can their involvement be made productive?
2. What do these actors want--what are the varied perceptions or goals which the individuals, agencies or organizations have for themselves, and what impact will they have on education?
3. How do the actors on the scene propose to get what they want? What is the political process or operational sequence by which they would achieve what they see as the desired ends for education?

4. If the actors on the educational/political scene had their way, what reallocations of power, or authority, or of fiscal resources would result? What would be the effect of these reallocations?

Because the art of politics is so unstable and uncertain an art, states find it easier to raise these questions than to answer them, though studies within several of the states indicate that simply identifying the actors, their aims, their methodologies, and the probable results of their success makes it possible to formulate education policy within a realistic political framework. Specifically, as will be illustrated in the following section of this document, each policy problem, with its accompanying policy options, can be seen as essentially a political issue, more amenable to political than to educational resolution.

For example, the political/educational goals of the teachers' and the administrators' organizations are rarely identical—more often they are imcompatible or antithetical. In the face of impending budget cuts, CSSOs and SEAs have found it imperative to work far in advance of the actual cuts to get the most responsible suggestions of both of these groups for spending priorities. Even if neither group is really satisfied with the final decision, each will have the satisfaction of knowing that its position has been openly heard and fairly considered.

State government agencies, too, will bring to the budget reduction process their own political aspirations and their own political strengths. Education must step also into this political arena, preferably as a collaborator with the other agencies, rather than as an adversary, but never as an uninvolved bystander.

Policy, as a statement of directon to be taken, is empty and meaningless unless the direction taken leads toward action and brings about results. Unimplemented policy is as bad as—or worse than--no policy at all.

An essential part of policy analysis, therefore, is determining where and by whom the actual policy decisions are made and how they are brought to fruition in educational programs.

The experience of the several states is, of course, extremely varied, but there is enough commonality to suggest that two popular myths may well be open to question.

One is the view that the only ultimate educational policy maker at the state level is the legislature. Certainly, the legislature exerts the most powerful influence, but other branches and agencies of government and other nongovernmental forces and individuals have strongly persuasive parts to play in the policy-setting and decision-making process.

The other myth is that each state is so different--in fact, unique--that no generalizations are possible. Actual reports from the states do confirm a high degree of uniqueness, but those same reports also confirm a basic similarity of conditions and outcomes that can support the validity of some common operating principles which can be applied to the identification of policy problems and the consideration of policy options.

Each SEA can thus profit from knowing what is going on in other states; and, conversely, because states borrow freely from each other, each SEA can quite possibly contribute its own unique experience to other states, to be adapted into the framework of acceptable policy options in other state settings.

III. POLICY PROBLEMS AND POLICY OPTIONS

The impact of tax/spending limitations on state education agencies has so far been directly experienced, fortunately, in a relatively few states. These known impacts, and the policy problems they create and foreshadow, can be expected to be paralleled in the experience of the states which have not yet undergone the revenue reduction trauma.

Putting together the known and expected impacts on SEAs, as reported by the Chiefs and their staffs, we can come up with a fairly realistic--though admittedly inconclusive and incomplete--list of the problems which have been or may be faced.

The policy problems, with their accompanying policy options, as reported by the states, appear to fall into six fairly discrete--but by no means airtight--categories:

A. SEA Posture (opposition/acquiescence)

B. Relationships with Other Agencies and Organizations

C. Changes in Governance Patterns

D. Changes in SEA Functions and Operations

E. Institution of Economy Measures

F. Increase of Productivity

Although these problems may seem to be insurmountable and some of them may turn out to be—it is fortunate that we can draw upon the states not only for a list of problems, but for a highly useful list of policy options under which these problems may be addressed. Since the <u>problems</u> and the policy <u>options</u> available for each are so closely related, they are treated together in each of the following sections of this paper.

A. SEA Posture

When serious proposals for state level tax/spending limitations begin to be widely discussed, SEAs are likely to be (in the words of one Chief) "bombarded with questions." Early on, proponents and opponents of the limitation move—perhaps even before the specific legislation or initiative has been drafted--will be raising issues that can be clarified by the SEA and its executive leadership.

Among the questions may well be some like these:

— Have increases in spending for schools exceeded the inflation rate? The rate of growth in personal income? The rate of growth in expenditures for other units and functions of government?

— Is education spending the chief taxpayer complaint, or does public discontent focus on welfare or some other governmental expenditure?

— In what areas does the taxpayer perceive the schools as doing a poor job? A good job?

— What has been the experience of other states in making cuts in education spending? What kinds of districts bear the brunt of the burden? What programs are affected? Do the cuts bring about some positive changes?

— What effect do substantial cuts have on school personnel—teacher certification, retirement benefits, seniority, tenure?

— What process should be followed in making the necessary reductions? Who decides what?

— What likely effect will the cuts have on private school enrollment, especially if high spending districts are leveled down?

— Will federal funding be endangered or lost?

Answers to many of these questions will have to be tentative, requiring best guess projections of existing trends and some prognostication of the future. Nonetheless, the press, the legislature, and the public will almost certainly demand the best answers that the SEA can

supply. Knowing this, many states have accelerated their collection of credible data as part of a total management information system which can be called upon to furnish responses to the pointed questions which are raised by the tax/spending limitation proposals.

Faced with possible (or actual) revenue reduction as the result of tax/spending limitations, SEAs are confronted with several policy options with respect to the general posture or stance they take toward the "Proposition 13" movement. Since the initial position taken may substantially affect not only subsequent SEA action, but also--and perhaps more importantly--the public perception of SEA attitude, policy choices at this point in the game are of crucial importance.

The options available here may be roughly arranged on a sort of opposition/acquiescence scale, ranging from forthright indignation and hostility ("You can't do this to us!") to meek submission ("Sure; whatever you say!").

These extremes, rather predictably, are both uncommon and relatively unproductive. To assume that education alone should be exempted from economies necessitated by diminished revenue is neither realistic nor politically prudent. On the other hand, to knuckle under the pressure for unfair cuts in education budgets represents a failure both in educational leadership and educational stewardship.

Most states, therefore, have reported that the policy options which they have found most productive, when faced with the problem of developing an SEA position on the proposed (or actual) revenue reducing legislation, are those which embrace several policy elements, as follows:

1. The SEA recognizes that all governmental services, including education, will be negatively affected.

2. The SEA will neither minimize nor overdramatize the effects of the proposed reductions.

3. The SEA will attempt to promote those forms of tax/spending limits which will have the least negative impact on education--for example, limits based on next year rather than current year budgets (as was done in California); limits which do not require retroactive budget cuts; limits on expenditures rather than on revenue sources.

4. The SEA will devote its efforts to influencing the tax/spending movement <u>at its source</u>--which may be by initiated constitutional amendment, legislative enactment, executive order, or judicial decree.

5. The SEA will accept its responsibility for priority setting in educational expenditures: <u>determining</u> these priorities where it has the legal authority to do so, and <u>influencing</u>, to the best of its abilities, the educational spending priorities which are set elsewhere (e.g., the legislature or the local district board).

6. The SEA will make the necessary policy decisions and take the necessary management measures to ensure stringent economies in operation of the education enterprise at all levels, and to institute programs of increased productivity.

None of these policy possibilities is suggested as the "right" one for a given state, but taken together they do seem to offer a fairly wide range of applicable policy options. Furthermore, none of these possible SEA postures precludes the possibility of the agency's coming up with its own positive version of a tax/spending limitation--a counter-proposal

which it can support. Especially if this is developed in conjunction with other groups, presentation of an alternative proposal which is congruent with taxpayer sentiment for some sort of limitation of taxing and spending can place the SEA in a healthy proactive position.

Then, with a well-thought-out plan in hand, when the CSSO and the state board members are asked, "What would you support as a realistic alternative to remedy the inequities of the property tax and to ease the burden on property taxpayers?" a positive answer can be given.

B. Relationships with Other Agencies and Organizations

Whether tax/spending limitations are only looming on the horizon or are being met face-to-face, state education agencies have uniformly indicated that they encounter perplexing policy problems with respect to their relationships with other agencies and organizations in meeting the challenges that these limitations bring. There is less uniformity among the states, however, in suggesting which policies work best--which means that there are indeed policy options open and clear-cut policy decisions to be made.

1. Alone or Together?

The first practical policy question which might be identified here is whether to go it alone in attacking the proposed (or actual) revenue reduction problem, or to work in concert with other agencies and organizations.

Some SEAs prefer to work independently, whether before or after the fact--that is, whether the problem is one of opposing (or minimizing the potential effect of) limiting referendum or legislation, or one of complying with limitations already in

effect. An example of a policy choice made by those who prefer independent action may be found in a state in which the proposed cuts in state expenditures were being resisted by the SEA through an intense lobbying effort with key legislators, without any consultation with other state agencies. Another example of independent, close-to-the-vest policy is that of a state educational agency which declined to list priority areas in anticipation of probable budget cuts on the grounds that these areas would, in a self-fulfilling prophecy, be automatically targeted for elimination.

2. Degree of cooperation with the executive and/or legislative branches

States report varying policy choices with respect to the desirability of working openingly and directly with other major branches of government. Again, the policy options range along a rather disjointed continuum from virtual secrecy to full interchange of information--the desirable outcome, it would seem, being that of being candid without necessarily playing all of your cards at once.

Generally, the policy option most often chosen seems to emphasize almost complete sharing of all program and fiscal information and interpretations with those branches of government which have the ultimate authority over education budgets.

3. Private organizations

In reacting to Proposition 13 types of limitations, SEAs have generally chosen to work closely with private organizations in one of two ways. In some cases, they have joined with formal coalitions (often including administrator, teacher, parent and special interest groups) (a) to oppose, or (b) to influence the formulation or (c) to lessen the impact of proposed limitation movements. In others, they have convened special ad hoc committees to set priorities for expenditure reductions if the revenues are actually reduced.

Several states have reported effective cooperation with special concern organizations which, singly or in concern with other "categorical" support groups, support the SEA in its effot to reduce the negative effects of proposed revenue reductions for education.

Not only are the certified "friends" of education a useful ally; those who tend traditionally to oppose education may provide perhaps unwitting help to the SEA. One state department used "hostile" analyses of proposed education cuts for two purposes--to agree with its critics that there were expenditures which could be reduced, and to sharpen and illuminate its own analyses of education priorities.

4. The federal government

The major emerging policy question in federal/state education relations can be illustrated quite simply: What does a state do when Proposition 13 bumps into P.L. 94-142, or Section 504 of the Vocational Rehabilitation Act, or any other federal requirement which mandates maintenance of effort in the face of declining revenue?

The problem is clear; the policy options open are not. There will be inevitably strained relationships and crucial stress points as states attempt to adjust their new requirements to federal mandates. The state may be able to use political avenues (such as the current efforts of the Council of Chief State School Officers) to secure modificatons of the federal law--the progress will be slow and the prospects rather bleak. Or, the state may choose to adjust its expenditures and program priorities to match those of the federal government, trimming other programs to stay "in compliance."

For example, desegregation plans, bilingual programs, affirmative action and Title IX efforts, to name but a few of the federally sponsored programs, may simply become state priorities at the expense of other programs.

In some extreme cases, states have simply opted out of participation in federal programs, the state costs of which cannot be met with state generated funds. While those who consistently oppose "federal intervention" in state affairs may

applaud such a move, there are serious political liabilities involved in turning down money for children with special needs and devoted supporters.

C. Changes in Governance Pattern

Those ultimately responsible for state operation of education programs—the Chiefs--find themselves generally in agreement with many political scientists and political analysts who are suggesting that the major impact of tax/spending limitations may well be on the governance, rather than the financing, of education.

No single pattern of educational governance would necessarily emerge—we already have a sufficient variety of state level patterns to demonstrate that there are several which "work." Most of the likely changes, however, would tend toward a lessening of local board control and an increasing of state level authority. Some states might go the route of total statement management, as in Hawaii, or major state control with some school site management, as in Florida. The possible adoption of a voucher system, either in its entirety or for some specified level of the school system, would give the parents more control of education and the local board less, but the state could not escape its additional governance responsibilities for supervising even a voucher type system.

Therefore, if the California experience is anywhere near typical, Proposition 13-type movements mean a greater concentration of education decision making at the state level. Much as the state assumption of the costs of welfare or of the judicial system have centralized authority in these areas at the state level, so will the shift of authority be felt in education.

A policy decision at the SEA level to resist this centralization of state authority has the potential of being seen as a desire to abdicate authority and escape responsibility. On the other hand, if the policy decision is to accept unhesitatingly the growing state centralization of educational decision making, the SEA may be seen as power hungry.

As resources shrink, there will almost inevitably be a move to consolidate further the existing local districts--or, as some political scientists openly advocate, to abolish school districts as such and place their functions in the hands of other governmental units (municipal authorities, county commissioners, regional governments) as a cost-saving technique. SEA policy choice here--to support or oppose such consoliation, or to choose to exercise such support/opposition on a selective basis--could quite possibly tilt the balance in either direction, even though final legal authority for the decision may rest elsewhere.

An even more important policy question in education governance is this: if the SEA is forced (or chooses) to accept greater responsibility for educational decision making, what will be the changing relationship between the SEA and the LEA? The policy options--directions--which may be taken are largely ones of the relative emphasis which the SEA chooses to give to (a) the regulatory, (b) the service, and (c) the leadership functions.

These general descriptions of SEA functions--regulation, service and leadership--are of course not mutually exclusive; various and overlapping gradations of emphasis can and do exist. Although these general terms are appropriate for our consideration of policy concerns affecting

relationships among various levels of educational governance, they are too general to identify the changing functions of SEAs; these will be discussed in the following section.

D. Changes in SEA Functions and Operations

If tax/spending limitations bring to SEAs, as they must, a time of greater austerity affecting not only the funds for intradepartmental operations but also the flow-through funds for local districts, the functions performed by the SEA and its internal and external operating procedures will necessarily be changed.

Policy issues arising in these changed circumstances will include questions such as these:

-- Will the SEA push for full state support of all state-mandated programs, or simply leave this problem to "local control?"

-- Will it be SEA policy to develop more extensive and more sophisticated pupil-weighting schemes in order to spread the smaller amount of money around to take care of high priority needs?

-- Will the SEA, forced to oversee cost guidelines, move in the direction of a stronger monitoring and regulatory role, even though this means moving away from the service/leadership role desired by the department?

-- Does the department wish, as a matter of policy, to fulfill its unsought "watchdog" role by providing not control, but technical assistance in helping local districts achieve increased competence in developing strategies for attaining greater educational productivity?

-- Is the SEA willing, as a matter of policy (or in response to state government pressure) to limit or reduce its own staff and expenses in order to set an example for other segments of education?

-- What will be the SEA position with respect to increased monitoring of private schools, especially as they may "drain off" public school population? (Because at least one of the underlying theories of the property tax reduction movement--often coupled with a proposed voucher system--is that it will allow individual taxpayers more discretionary income which may be used to send their children to private schools, the

historic relationship or balance between public and private education will be under stress. Hence, the monitoring of these schools by the SEA may have to be increased, and the consequences of the possible narrowing of the population base in the public schools may have to be addressed.)

The above are some of the policy issues which can be expected to be raised by the impact of tax/spending limitations. The probable consequences of accepting any one of these policies can be assessed only on a state-by-state basis. For example, moving to statewide collective bargaining, with the likelihood of a statewide salary schedule, may initially cause severe teacher morale problems in one state, but be quite acceptable in another.

It might be that not all of the issues raised by reduction of resources need be viewed pessimistically; there may well be some opportunity for really forward looking SEA activity as well. For example, enforced austerity may give a chance to experiment with radical innovations, an opportunity to attack some sacred cows; tenure, seniority and local lethargy masquerading as "local control."

E. Institution of Economy Measures

The experience of many SEAs with the recurrent public demand for better use of the education dollar--a demand heard long before Proposition 13 hit the headlines--has indicated that any verifiable claim to having achieved "greater economy" in education is greeted with unrestrained applause.

Therefore, it would appear that one of the best ways for education to react to tax/spending limitations is to cut expenditures. But this itself poses a policy dilemma. Is it sound policy to strive for cost

savings, even at some loss to educational progress, just because the political gains made may be money-in-the-bank the next time the budget cutters come around?

This dilemma--being forced for economic and political reasons to respond to decreases in revenues, but being at the same time committed for educational reasons to ensuring the survival of important educational programs—may suggest another approach: seeking out new revenue sources.

One potential SEA policy, thus, might be to attempt to maintain or even to increase education revenues by supporting provisions for local authority to impose other taxes as their property tax bases shrink and revenue declines. However, this raises its own policy issues.

Since income from property taxes--the most stable, even though perhaps one of the most unpopluar, sources of educational revenue—will now be sharply diminished, more reliance will have to be placed on sales and income taxes. Because both of these are highly volatile taxes, responding very quickly and sometimes disastrously to changes in the economy, SEAs and LEAs will have to have contingency plans for responding to continual ups and downs in the amount available for education expenditures and hence for education programming. Planning will have to be at once more comprehensive and more flexible.

Money can always be saved by reducing state support for education; even the continuation of "equalization" programs can result in significant savings so long as the state equalizes <u>down</u> to a lower (if not the lowest) common denominator. Such a policy of downward equalization—leveling down—may become an absolute fiscal necessity, but would probably represent a last resort policy in terms of educational values and political feasibility.

Specific measures for "saving money" in a time of fiscal retrenchment are quite often seen as purely operational rather than as policy issues: turning the heat down and the lights off; instituting a hiring freeze and relying on natural attrition to reduce the staff; using volunteers to staff programs which would have otherwise to be abandoned; cutting out activities which some would view as marginal or expendable--programs for the gifted, art and music, adult education, summer school, or extracurricular activities.

Although most of these are local decision items, and many of them amy be somewhat mechanically determined management choices, each cost-cutting scheme has basic educational policy implications for the SEA. Fundamental education policy will determine which priorities are set by the SEA in its own legislative support requests, which priorities are encouraged for the LEA and SEA emphasis, and whether the cuts will be made or recommended in terms of (a) short-range savings, (b) visible political impact, or (c) long-range educational goals.

F. Increase of Productivity

It could well be argued that in education, as in the economy as a whole, the only really effective way to do more with less is by increasing productivity. "Productivity" in education is at best an amorphous, slippery concept, but the current austerity movement is creating demands for increased educational productivity to which education must respond.

In this arena, although specific answers may be elusive, there are a number of specific policy issues which Chiefs and SEAs have found worthwhile to consider.

In response to the recurring public insistence on getting more services for the tax dollar, what policies can most effectively guide the SEA in achieving a higher level of educational productivity? Suggestions such as these come from the states:

- Reduce the perceptage of expenditures for administration both at state and local district levels, so that more effort goes into "productive" activities
- Retrain staff to perform more effectively the jobs they now do and take on new assignments, thus "producing" more with the same or fewer personnel
- Institute at both state and local levels more sophisticated management techniques--MBO, PPBS, or an unspecified, generic "systems" approach
- Make evaluation of educational outcome more rigorous, and publish widely the results--failures as well as successes
- Design and conduct more tightly structured cost-effectiveness and cost-utility analyses

Each of these suggestions--or, often from the public viewpoint, demands—to the educaton establishment requires the SEA to make policy choices on its own account, and offers the opportunity to make policy suggestions to local districts.

The "proper" choice to be made cannot be specified, but it is possible for those who appropriately make the policy decisions to buttress these choices with analysis of probable outcomes of the direction taken or proposed.

For example, if the SEA itself elects to cut down on administrative staff in order to employ more "productive" personnel (and by example or precept or funding patterns, encourage local districts to do the same), it may want to consider the very real possibility that any savings will

be wiped out by losses occurring through less thorough planning, monitoring, and evalution--that is, through diminished administrative oversight.

Similarly, as individual states report from their own experiences, each policy decision in any attempt to increase educational productivity carries with it its own values--and its own burdens.

IV. CONCLUSION

The formal educational leadership of the states--Chiefs, state boards of education, state departments of education, and local school districts--are faced with major policy decisions as the tax/spending limitation movement (in popular parlance, "Proposition 13") becomes widespread.

Cooperatively among themselves, and in concert with other interested agencies and organizations, these leadership groups appear to be responding to the emerging problems with a wide range of appropriate and often innovative educational policies, only a sampling of which have made their way into the analysis above.

As states move further into an era of tax spending limitations, state level experience will almost surely lead to the development of new policy options--ones which there may be opportunity to explore and analyze in a subsequent publication.

THE PROPOSITION 13 MOVEMENT

An Annotated Bibliography

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THE PROPOSITION 13 MOVEMENT

ANNOTATED BIBLIOGRAPHY

The annotated bibliography on the next few pages has been prepared as an aid to further research into the effects of Proposition 13, and other tax and expenditure limitations. This bibliography should be looked upon as a starting point rather than as a comprehensive document.

In developing this bibliography, two guidelines were established for the selection of materials. First of all, documents selected were those which discussed general policy implications of tax and expenditure limitations, rather than detailed descriptions of the mechanics of each state's individual version of Proposition 13. Because the intended audience for this document covers a number of states, it was felt that individuals in particular states would be able to obtain information on their state's limitation measure without the help of this bibliography.

Secondly, the documents listed in this bibliography can be found in publications that are readily available to the Chief State School Officers and their staffs. The resources listed here should help the Chiefs and their staff develop policy options which in turn will lead them to additional documents which they consider useful for their purposes.

Finally, the Institute for Government Studies and the University of California, Berkeley, is compiling a listing of research projects studying the effects of Proposition 13. Copies of this inventory may be obtained by contacting the Institute for Government Studies, 109 Moses Hall, University of California, Berkeley, Berkeley, California 94720.

Angel, Dan. "Proposition 13" Compact Education Commission of the States, Volume XII, Number 3, Summer/Fall, 1978. pp. 20-21

Dan Angel is the president of a Southern California Community College. In this article he discusses the impact of Proposition 13 on his college. He points out that his institution was able to make significant budget cuts in a spirit of harmony and agreement because of full and open discussions regarding the situation. He talks about what will happen if there is no state surplus in California next year, and suggests cuts will probably be made in the following areas: curtailment of sabbaticals, increases in faculty loads, reduction in administrators, increases in tuition, challenges to Section 504 requirements for the handicapped, and difficulty in implementing affirmative action programs. Finally, the author suggests that the passage of Proposition 13 has brought three questions to the forefront: Who should pay for educational opportunity? Who should control that opportunity, the state or a local board? and How can we get more "bang for the buck" in education and other government services?

Baratz, Joan C. and Jay H. Moskowitz. "Proposition 13: How and Why It Happened" Kappan September 1978. pp. 8-11

This article discusses the political climate, economic situation and voter attitudes in California prior to the June 6, 1978 election where Proposition 13 was approved. It discusses the campaigns for and against the measure, and the organizational problems that hindered Proposition 13's opponents. It also describes the effect of actions taken by major political figures in California on the outcome of the election.

Field, Mervin. "Sending a Message: Californians Strike Back" Public Opinion. Volume 1 Number 3, July/August 1978. pp. 3-7

This article by Mervin Field, director of the Field Poll in California describes the public opinion on Proposition 13 prior to and immediately after the June election where Proposition 13 passed. It provides useful insights to the events that led to Proposition 13's large margin of support on election day.

This issue of Public Opinion also contains a large section summarizing the results of an opinion poll conducted nationwide on the issue of taxes and government spending. The results of these polls provide a great deal of interesting data regarding the feelings of the electorate toward taxes and government spending.

Guthrie, James W. "Proposition 13 and the Future of California's Schools" Kappan September 1978. pp. 13-15

This article discusses the expected effects of Proposition 13 on school finance in California. Guthrie points out that the shift in the funding pattern for school districts to almost 70% state support will have three major impacts in the long run:

1. Revenues for education will be tied to the state income and sales taxes, and thus more closely to the state's overall economy. This means school finance will be more directly tied to the dips and upswings in the economy that has been the case with the property tax which has proven to be a steady source of revenue over the past years.
2. Since the effect of Proposition 13 is a statewide 1% property tax, the fiscal neutrality required by the Serrano decision will rapidly become part of the school finance picture in California. It is not likely that the state as the major contributor to the cost of education, will allow substantial variations in expenditure per pupil. It appears that the only constitutionally sound position the state can take is to treat all similarly situated school districts and pupils equally.
3. A continuing movement toward greater state control of educational decision making including statewide teachers' salary schedules and statewide regulations governing the number of administrators per district.

Finally, Guthrie presents four possible scenarios for the future governance of education in California.

1. Total state management
2. State management with local school site management for some functions
3. Voucher plans
4. A mixed model with say K-8 state funding and vouchers for 9-12.

Kirst, Michael W. "Impact of Proposition 13 on Public Schools: The Short and Long Views" Prepared for the California School Board Journal, Summer, 1978.

Michael Kirst is currently the President of the California State Board of Education. This article discusses the short run and the predicted long run effects of the passage of Proposition 13 on education. Kirst concludes that the short run effects were less than expected because the state used its large surplus to provide school districts with up to 91% of their 1978-79 budgets.

The long run consequences of Proposition 13 are summarized by Kirst as follows:

1. State assumption of school finance ties education to the volatile state income and sales taxes.
2. A tremendous equalization impact on high spending school districts throughout the state. There will be no state motivation nor legal authority after Serrano for the state to support high spending districts at a rate higher than the state minimum foundation level.
3. Proposition 13 provides no local choice on school expenditure levels. The state will have to determine the amount to be spent for each pupil, and the adjustments necessary for special needs. All school finance decisions will center on the state government with no local discretion.
4. Initial cutbacks will occur in summer school, adult education, regional vocational education, maintenance, community services, counseling, central office staff, and middle management.
5. If economic growth slows, not all state categorical programs will survive. They will be eliminated to cushion the declining state surplus.
6. Public employee moral will decline as they realize how susceptable they are to the cycles of state revenue collection. Schools will begin to "spin off" functions such as art and music to private contributions or other local agencies.

Advisory Commission on Intergovernmental Relations. State Mandating of Local Expenditures. ACIR Washington D.C. July 1978

This report discusses state mandates on local governments which either limit or place requirements on local governments without accompanying state funding. These mandates are of critical concern to local governmental officials because of the limitations established by Proposition 13 and similar tax and spending limitations. This ACIR report makes a series of recommendations which create what the Commission calls a "state policy of deliberate restraint."

State mandates can be imposed by Executive Order, legislative enactment and judicial decree. The Commission established a total of 77 different functions mandated by states. New York has the most mandates, a total of 60, with California second with 52. West Virginia was the lowest with 8.

In discussing when a mandate is appropriate, the Commission recommended that:

1. Statewide interest should be clearly identified on any proposed mandates
2. States should partially reimburse local governments for any new programs or increased service levels in such highly intergovernmental areas as education, highways health and welfare; and
3. States should fully reimburse local governments for all state imposed mandates involving employee compensation, hours, working conditions, and employee qualifications and pensions.

Congressional Budget Office, Congress of the United States. Proposition 13: It's Impact on the Nation's Economy, Federal Revenues, and Federal Expenditures. U.S. Government Printing Office, Washington, D.C. July 1978.

This publication, prepared by the Congressional Budget Office describes the effects of Proposition 13 on the Federal Government, and the national economy. The following conclusions are developed in this document.

1. Proposition 13 will have an insignificant effect on the nation's economy in the short run, and will cause a marginally lower level of real economic activity by mid-1980. There will be an employment loss of 60,000 that will gradually diminish, and the Consumer Price Index will drop 0.2% by the end of 1978 and 0.4% by mid-1980.
2. Federal revenues will increase by $600 million in fiscal year 1979 and $900 million in fiscal year 1980.
3. Federal expenditures will not be affected significantly because of Proposition 13. Transfer payments for unemployment and welfare will increase, but the reduction in the Consumer Price Index will reduce anticipated spending for social security and similar programs where the expenditure levels are determined by the CPI.
4. Expenditure cutbacks by local governments may reduce Federal matching funds sent to California, but many of those funds will be sent to other states.
5. If similar measures are adopted by a large number of other states, unless the reductions in taxes are at least twice as large as the accompanying slowdown or cut in expenditures, there will likely be a slowdown in economic activity nationwide.

The Council of State Governments. "Lids Placed on State Spending: Spending Limitations are Advanced as Alternatives to Proposition 13" State Government News. August, 1978. The Council of State Governments, Lexington, KY. pp. 2-4.

Proposition 13 places a limit on the amount of revenue governments in California can raise through property taxes. This article discusses an alternative method, for achieving the same goal; tax spending limitations. The article points out that many states are experimenting with such spending limitations which restrict the amount of money a state or local government is entitled to spend. The article then discusses the effects of such limitations in a number of states that have already enacted spending limitations, including New Jersey, Tennessee, and Colorado.

The Council of State Governments. Limiting State Taxes and Expenditures. (The Council of State Governments, Lexington, KY, 1978). 31 pages.

This pamphlet is designed to provide state decision makers with an understanding of the nature of tax and expenditure limitations. It contains four major sections. The first deals with the history of tax limitations in the United States. The second describes the types of tax and expenditure limitations being discussed today. The third examines the objectives of tax and expenditure limitations, and the fourth section discusses some of the possible defects in these limitations. In addition, there are a number of appendicies showing how each of the fifty states ranks in tax effort, and the types of tax and expenditure limitation that are currently in existence in each of the states.

In addition to this document, the Council of State Governments has published a document containing samples of tax and expenditure limitation legislation that the Council's Committee on Suggested State Legislation has reviewed. The title of this document is Tax and Expenditure Legislation Approved for Distribution by the Committee on Suggested State Legislation of the Council of State Governments.

The Council of State Governments. The Property Tax: A Primer. (The Council of State Governments: Lexington, KY, 1978) 17 pages.

This document is a description of the property tax, providing information on the background of the property tax, the property tax formula, problems with property taxation, and alternatives to increasing property taxes. In addition, there is a brief description of the effects of Proposition 13. This pamphlet provides a short description of the property tax designed to meet the needs of state and local officials who will be faced with property tax related issues in response to tax limitation efforts throughout the nation.

Department of Education, State of Florida. The Future of Public School Education in Florida with No New Taxes: Three Possibilities. (Tallahassee, Florida) Draft May 25, 1978, 25 pages.

This document provides a number of estimates of future revenue sources and enrollments for Florida Schools through 1985-86. It concludes that educational expenditures will rise faster than revenues, and proposes three policy options for dealing with this shortfall in revenues. The three policy options discussed are: 1) reduce programs; 2) transfer the burden of support to users of educational programs; and 3) reducing student teacher interaction, and replacing classroom teachers with student volunteer tutors or instructional technology, such as computer systems.

Education Commission of the States. "Proposition 13 Aftermath" Finance Facts, Special Issue, November, 1978.

This brief pamphlet discusses the results of tax limit elections in six states, and points out the expected effects of those results. The six states covered are Oregon, Idaho, Nebraska, Arizona, Colorado and Michigan. The document contains projections on the economic effects of each of the tax limitations, and discusses the major issues in the campaigns that were conducted for and against each ballot measure.

Tax Revolt Digest, California Center for Research and Education in Government. Monthly publication.

The Tax Revolt Digest is published by the same organization that publishes the California Journal, and is intended to be a forum for discussion of issues related to Proposition 13 and similar measures nationwide. It is published monthly, and in addition six special issues will be published each year. The first issue is dated November 1978, and the first special issue, which deals with the effects of Proposition 13 on schools, was published in December, 1978.

The digest contains articles describing the effects of Proposition 13 on local governments in California, and the December, 1978 issue contains a summary of how similar measures on the ballot in other states faired in the November 1978 elections.

Taxing and Spending, Institute for Contemporary Studies, San Francisco, CA. Volume 1, Number 1, October/November 1978.

Taxing and Spending is a new magazine created to provide information and analysis on the effects of the tax limitation movement and other issues of national and local taxation and spending policy. This first issue has a number of articles discussing the reasons why Proposition 13 passed in California. Relying on many prominent authors, this issue discusses the mood of the California voter, the effects of Proposition 13 on various interest groups, especially renters, and discusses other issues related to state taxation and spending.

School District Expenditure and Tax Controls. Education Finance Center, Research and Information Department, Education Commission of the States, (Denver, CO, August 1978)

This booklet published in response to the success of Proposition 13 in California and the current efforts toward similar legislation in other states contains three major sections. The first section summarizes current efforts in each of the states to pass tax or spending limitations. The second section presents the requirements across the states for approving current operating budgets and measure in those budgets, as well as the procedures for maintaining or increasing property tax rates for current operating purposes. The third section describes the procedures among the states for approving bond issues for capital expenditures.